

Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 08035 011401Z

64

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-04 FPC-01 H-01 INR-05

INT-05 L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-02 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FTC-01 PA-01

PRS-01 USIA-06 /082 W

----- 073583

R 011330Z NOV 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8680

LIMITED OFFICIAL USE BUENOS AIRES 8035

E. O. 11652: N/A

TAGS: ENRG, AR

SUBJECT: EXXON: DEVELOPMENTS & CURRENT SITUATION

REF: A) BA-6735 B) BA-5644 C) BA-5726 D) BA-6413 E) BA-6588

1. SUMMARY: LOCAL ESSO REP REMAINS CONCERNED OVER SITUATION FOLLOWING CENTRALIZATION OF PETROLEUM MARKETING AND DISTRIBUTION IN STATE OIL COMPANY (YPF). GOA HAS AVOIDED OUTRIGHT NATIONALIZATION, BUT IS OBLIGING PRIVATE COMPANIES TO OPERATE AS AGENTS FOR YPF ACCOUNT THUS FAR WITH NO PAYMENT. LOCAL REP IS HOPEFUL NEW ECONOMICS MINISTER AND TEAM WILL LEAD TO IMPROVED CLIMATE FOR RESOLVING OUTSTANDING PROBLEMS. END SUMMARY.

2. RECENTLY, EMOFF DISCUSSED SITUATION OF MARKETING AND DISTRIBUTION WITH LOCAL ESSO REP WHO PROVIDED FOLLOWING INFORMATION. INITIAL DECREE 632 OF AUGUST 28 GAVE ENERGY SECRETARIAT BROAD MANDATE TO CENTRALIZE PETROLEUM MARKETING AND DISTRIBUTION IN YPF. UNDER THIS UMBRELLA, RESOLUTIONS 320 AND 330 THEN ADOPTED WHICH, IN EFFECT, COVERT PRIVATE OIL COMPANIES INTO YPF AGENTS FOR MOST ACTIVITIES INCLUDING REFINING. BY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUENOS 08035 011401Z

THIS TACTIC, GOA HAS AVOIDED OUTRIGHT EXPROPRIATION, WHILE

AT SAME TIME OBTAINING USE OF, AND INCOME FROM, ASSETS OF ESSO AND OTHER PRIVATE COMPANIES THIS FAR WITHOUT PAYING ANYTHING.

3. LOCAL REP IS CONCERNED ABOUT POSSIBLE INTERNATIONAL IMPLICATIONS OF GOA STRATEGY FOR MULTINATIONALS. STILL, HE SAYS ESSO WOULD BE WILLING TO COMPROMISE AND OPERATE AS YPF AGENT IN MARKETING AND DISTRIBUTION PROVIDING YPF WILLING TO PAY SATISFACTORY FEES. HE ADDED ESSO ALSO WOULD BE PREPARED TO NEGOTIATE WITH GOA TO SELL ITS ASSETS HERE. ESSO WOULD MOST STRONGLY RESIST OPERATING ITS REFINERY HERE FOR YPF ACCOUNT SINCE REFINING BELIEVED MOST PROFITABLE PART OF ESSO'S BUSINESS.

4. ESSO REP SAYS HIS COMPANY HAS INITIATED PROCESS TO OBTAIN ADMINISTRATIVE RELIEF FROM DECREES AND RESOLUTIONS WHICH ESSO LAWYERS BELIEVE ARE UNCONSTITUTIONAL. IF ADMINISTRATIVE RELIEF DENIED, AND SETTLEMENT NOT POSSIBLE VIA NEGOTIATION, ESSO REP SAID COMPANY LIKELY TO TAKE ISSUE TO COURT.

5. ONE IMMEDIATE PROBLEM REQUIRING ATTENTION IS LIQUIDITY SITUATION OF ESSO AND OTHER PRIVATE COMPANIES. UNDER TERMS OF RESOLUTION, PRIVATE COMPANIES ARE NOW TRANSFERRING ALL INCOME AND RECEIPTS TO YPF. YPF HAS INFORMED ESSO OF INTERIM FEES IT WILLING TO PAY, PENDING FINAL SETTLEMENT, WHICH ESSO TERMS GROSSLY INADEQUATE AND NOT EVEN ENOUGH TO COVER OPERATING COSTS. WHATEVER THE MERITS, YPF REPORTEDLY HAS YET TO MAKE ANY PAYMENT AT ALL AND COMPANIES CONSEQUENTLY FACING INCREASINGLY TIGHT CASH PROBLEM.

6. COMMENT: CHANGE IN ECONOMIC TEAM, INCLUDING APPOINTMENT OF NEW ENERGY SECRETARY MIGUEL REVESTIDO, MAY LEAD TO IMPROVEMENT IN SITUATION. GOMEZ MORALES HIMSELF REPORTEDLY OPPOSED YPF TAKEOVER FROM BEGINNING, USING SENSIBLE ARGUMENT THAT STATE SHOULD NOT WASTE SCARCE RESOURCES ON OPERATIONS ALREADY HANDLED EFFICIENTLY BY PRIVATE ENTITIES. HOWEVER, THERE IS ALREADY CONSIDERABLE POLITICAL MOMENTUM AND SENSITIVITY OVER RECENT PETROLEUM MEASURES AND NEW TEAM WILL HAVE TO MOVE CAREFULLY.

HILL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, MARKETS, NATIONALIZATION, LAW
Control Number: n/a
Copy: SINGLE
Draft Date: 01 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUENOS08035
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740313-0780
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741180/aaaacqae.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) BA-6735 B) BA-5644 C) BA-5726 D) BA-6413 E) BA-6588
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <07 MAR 2003 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXXON: DEVELOPMENTS & CURRENT SITUATION
TAGS: ENRG, AR, EXXON, ESSO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005